UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIAS

Alexandria Division

| | |
|---|---|
| TRIANTAFYLLOS TAFAS,<br><br>Plaintiff,<br><br>- against -<br><br>JON W. DUDAS, et al.,<br><br>Defendants. | 1:07cv846 (JCC/TRJ) |

CONSOLIDATED WITH

| | |
|---|---|
| SMITHKLINE BEECHAM CORPORATION, et al.,<br><br>Plaintiffs,<br><br>- against -<br><br>JON W. DUDAS, et al.,<br><br>Defendants. | 1:07cv1008 (JCC/TRJ) |

**OPPOSITION TO DEFENDANTS' MOTION TO STRIKE**

**OF *AMICI CURIAE* POLESTAR CAPITAL AND NORSEMAN GROUP**

Dockets.Justia.com

## TABLE OF CONTENTS

I. Introduction ........ 1

II. Administrative Records May Be Supplemented in Judicial Reviews of Informal Agency Action, Especially When *State Farm* Factors are Challenged ........ 2

III. The PTO's Belated Supplementation Demonstrates that the Record Before the Court Was Not Complete and that Many Documents Were "Deliberately or Negligently Omitted Documents That May Have Been Adverse to its Decision" ........ 4

- A. The Late-Produced Notice and Comment Letters and RegFlex Certification Demonstrate that Adverse Documents Have Been "Deliberately or Negligently Omitted" ........ 4
- B. The Absence of OMB Communications Demonstrates the PTO's "Administrative Record" is Incomplete ........ 6
- C. Several of the "Town Hall" Presentations, Coincidentally Those In Which Recorded Oral Remarks Include Adverse Admissions by High PTO Officials, Are Omitted From the Record ........ 8

IV. Polestar's Exhibits 3, 6 and 17 Are Properly Considered by the Court To Show That the PTO Did Not Timely Make Materials Available for Notice and Comment ........ 9

V. Polestar's Exhibit 5, 7, 8, 13 and 17 Are Properly Considered by the Court Under Several *Esch* and *State Farm* Categories Relating to Failure To Disclose ........ 12

- A. Exhibits 5 and 17, a FOIA Reply and Public Speech Admitting That There Are No Disclosed Methodology, Data or Assumptions as Foundation for the PTO's Computer Tables ........ 12
- B. Polestar's Exhibits 7 and 8 are Properly Considered by the Court ........ 14
- C. Polestar's Exhibit 13 is Properly Considered by the Court on the Narrow Issue of Convenience and Cost to the PTO of Providing the Information Requested in the FOIA Requests ........ 16

VI. Exhibit 9 May Be Considered Under the "Procedural Validity of the Agency's Decision Under Scrutiny," "Agency Considered Evidence that it Failed to Include in the Record," or "Agency May Have Deliberately or Negligently Omitted Documents that May have been Adverse to its Decision" ....16

VII. Exhibits 2, 12, 21 and 26 are Properly Considered by the Court Because they Are "Evidence Arising After the Agency Action [that] Shows Whether The Decision Was Correct or Not" and to Impeach the PTO's Record ....18

VIII. Exhibits 22, 23, 24, 25, 27 and 28 are Properly Considered by the Court on the Question of Whether the PTO Considered Relevant Factors ....22

IX. Exhibit 1 is a Routine Authentication Affidavit ....25

X. The Court Should Deny the PTO's Motion to Strike Portions of the Polestar Brief ....25

XI. Conclusion ....26

Exhibit 29 OIRA Conclusion of EO 12866 Regulatory Review, 0651-AB93, "Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims," from http://www.reginfo.gov/public/do/eoDetails?rrid=114344 and OIRA Conclusion of EO 12866 Regulatory Review, 0651-AB94, "Changes to Practice for the Examination of Claims in Patent Applications," from http://www.reginfo.gov/public/do/eoDetails?rrid=114345

Exhibit 30 Untitled document, A04546-53 (August 3, 2006)

## I. Introduction

Polestar Capital Associates, LLC and The Norseman Group LLC (collectively "Polestar"), as *amici curiae*, submit this memorandum of law in opposition to the PTO's Motion to Strike.

The Plaintiffs challenged the PTO's Final Rules on multiple grounds, including that the PTO's rulemaking was arbitrary and capricious and unsupported by the agency's record. This Court invited participation by *amici curiae* on the important issues raised by the parties. In that regard, Polestar submitted an *amicus* brief seeking to explain in detail why the PTO's Final Rules are, among other grounds, arbitrary and capricious. In doing so, Polestar referred to exhibits that were not included in the PTO's designated administrative record, even though the PTO should have, and to all indications did, consider several of those exhibits in its rulemaking.

In an attempt to divert the Court's attention from the true import of these exhibits, the PTO has filed a motion to strike. But that motion to strike is unfounded. Each of the exhibits that the PTO seeks to strike fits one or more well-established categories of extra-record evidence that the Court may either admit to supplement the administrative record, or consider even though it may be said to be outside the record.

In an effort to prevent the Court from considering these exhibits, the PTO's motion incorrectly invokes the "law of the case." That doctrine is inapplicable because the Court has not held that the record is complete and that no party or *amicus* may expand upon the record. Indeed, since the Court denied Tafas' motion for reconsideration, *Tafas v. Dudas*, __ F. Supp. 2d __, 2008 WL 112043 (E.D. Va. Jan. 9, 2008) ("*Tafas II*"), the PTO has three times supplemented the administrative record, twice expressly conceding that it had not produced a complete record, and once to introduce an entirely extraneous exhibit. The PTO's recent efforts to cure the defects in the administrative record amplify the need for the Court to consider Polestar's *amicus* brief and supporting exhibits. Thus, the PTO's motion to strike Polestar's exhibits should be denied in its entirety.

## II. Administrative Records are More Readily Supplemented in Judicial Reviews of Informal Agency Action, Especially When *State Farm* Factors are Challenged

The district court must have before it the "whole record" on which the agency acted, including evidence contrary to the agency's position. *Appalachian Power Co. v. EPA*, 477 F.2d 495, 507 (4th Cir. 1973). The complete administrative record consists of all documents and materials directly *or indirectly* considered by the agency. *Bar MK Ranches v Yeutter*, 994 F.2d 735, 739 (10th Cir. 1993). An agency may not unilaterally determine the administrative record. *Bar MK*, 994 F.2d at 739. The whole administrative record "is not necessarily those documents that the agency has compiled and submitted as 'the' administrative record." *Thompson v. U.S. Dep't of Labor*, 885 F.2d 551, 555 (9th Cir. 1989).

Several courts have noted that the *Camp v. Pitts* record rule is applied more leniently to review of informal agency actions than in reviews of formal ones. In informal rulemakings, there are no formal procedures for parties to designate documents that should be in the record. The Court of Federal Claims has gone so far as to call the administrative record of informal agency action a "fiction," because it is prepared by an agency after the decision has been made, in response to questions about the validity of the decision or decision making process. *Orion Int'l Techs. v. U.S.*, 60 Fed.Cl. 338, 343 (Fed. Cl. 2004). Indeed, because the agency in first instance has unilateral control of the record, "allowing the agency to retroactively delineate the scope of review may preclude the 'substantial inquiry' and 'thorough, probing, in-depth review' the court must perform to determine whether the agency's action was arbitrary and capricious." *Id., quoting Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 415 (1971).

The following categories of documents are recognized as eligible for consideration on judicial review, in some cases to supplement the record for all purposes, in some cases for the limited purpose noted (in each case, quotations and citations omitted):

(a) "When the procedural validity of the agency's decision is under scrutiny." *Bismullah v. Gates*, 501 F.3d 178, 185 (D.C. Cir.2007); *Esch v. Yeutter*, 876 F.2d 976, 991 (D.C. Cir. 1989). Agency proceedings are entitled to a presumption of regularity, but the agency may not control the record to, in effect, make the presumption irrebuttable. Both challengers and the Court must be able to look behind the presumption to the actual facts. *Bismullah*, 501 F.3d at 185.

(b) "When agency action is not adequately explained in the record before the court," *Esch v. Yeutter*, 876 F.2d 976, 991 (D.C. Cir. 1989), or when there is "such a failure [by the agency] to explain administrative action [so] as to frustrate effective judicial review." *Camp v. Pitts*, 411 U.S. 138, 142-143 (1973). If a document tends to show that the agency's "administrative record" is unexplained or unsupported "junk science," extra-record evidence may be considered. *See Niam v. Ashcroft*, 354 F.3d 652, 660 (7th Cir. 2004) (Posner, J.) ("the spirit of *Daubert*… [applies] to administrative proceedings… 'Junk science' has no more place in administrative proceedings than in judicial ones.")

(c) When it is necessary to "ascertain whether the agency considered all the relevant factors," *Environmental Defense Fund, Inc. v. Costle*, 657 F.2d 275, 285 (D.C. Cir. 1981), especially where the factors "appear in the supplementary materials but not in the original [agency decision]." *Advanced Systems Dev't v U.S.*, 72 Fed. Cl. 25, 34 (Fed. Cl. 2006).

(d) When an agency considered evidence that it failed to include in the record. *Esch*, 876 F.2d at 991. When the agency may have deliberately or negligently omitted documents that may have been adverse to its decision, those documents must be considered. *Kent County v. U.S. Environmental Protection Agency*, 963 F.2d 391, 395-96 (D.C. Cir. 1992); *Amfac Resorts LLC v. Dep't of Interior*, 143 F.Supp.2d 7, 11-12 (D.D.C. 2001). An agency that, as proponent of a rule, bore the burden of proof, may not exclude contrary evidence – the "substantial evidence" review required under the "arbitrary and capricious" prong of § 706(2)(A) requires both that the Court assure itself that the agency had actual "substantial evidence," *Association of Data Processing Service Organizations v. Bd. of Governors of the Federal Reserve*, 745 F.2d 677, 684 (D.C. Cir. 1984) (Scalia, J.) ("When the arbitrary or capricious standard is performing that function of assuring factual support, there is no *substantive* difference between what it requires and what would be required by the substantial evidence test, since it is impossible to conceive of a 'nonarbitrary' factual judgment supported only by evidence that is not substantial in the APA sense"), and that the court have access to contrary evidence to ensure it was considered.

(e) In cases where evidence arising after the agency action shows whether the decision was correct or not. *Esch*, 876 F.2d at 991;

(f) The "content of conversations." *DGS Contract Serv, Inc. v. United States*, 43 Fed.Cl. 227, 235 (1999); *see also GraphicData LLC v. U.S.*, 37 Fed.Cl. 771, 780 (Fed. Cl. 1997) (permitting coerced discovery when the "response to this question would not be contained in any administrative record").

(g) The court may take judicial notice of publicly published information, if there is any lawful purpose for its admissibility. *Pacific Coast Fed. of Fishermen's Assn. v. Gutierrez*, 2007 WL 1752287 at *3 (E.D. Cal. 2007).

(h) For limited purposes of impeachment, including impeachment of the agency's actions in developing the record. *U.S. v. Shaffer Eqpt. Co.*, 11 F.3d 450, 460-61 (4th Cir. 1993).

For some of these Categories, for example (d), (e) and (f), the completeness of the record and the good faith behind it can only be grasped by looking beyond the record itself. Thus, in these circumstances, the only way a non-agency party can demonstrate the need for extra-record judicial review is to introduce extra-record materials. *Amfac Resorts LLC v. Dep't of Interior*, 143 F.Supp.2d 7, 12 (D.D.C. 2001).

On a motion regarding the content of the record, a court may accept an agency's arguments as concessions that the agency failed one or more of the *State Farm* tests for non-arbitrary, non-capricious action. *See Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43, 47-48, 57 (1983). For example, agency arguments on a record issue may well amount to a concession that the agency "failed to consider factors relevant to its final decision," therefore a concession on the merits. *Advanced Systems Dev't*, 72 Fed. Cl. at 34.

## III. The PTO's Belated Supplementation Demonstrates that the Record Before the Court Was Not Complete and that Many Documents Were "Deliberately or Negligently Omitted"

Despite representing to this Court several times that the administrative record was complete, the PTO itself demonstrated otherwise when it recently and belatedly supplemented the administrative record, not once but twice. These submissions establish a pattern of "deliberately or negligently" omitting adverse documents from the record (Category (d)). In view of this, the Court has greater flexibility to permit supplementation of the record. *See Kent County v. U.S. Environmental Protection Agency*, 963 F.2d 391, 395-96 (D.C. Cir. 1992).

### A. The Late-Produced Notice and Comment Letters and RegFlex Certification Demonstrate that Adverse Documents Have Been "Deliberately or Negligently Omitted"

On January 18, 2008, the PTO admitted that it had, at best, "negligently" omitted documents from the record through "oversight," because they had been "in a different physical location" than the rest of the "administrative record" (PTO's Amended Certification, docket no. 240-2). Several of these late-produced documents are adverse to the PTO's positions. For example, one of the newly-produced notice and comment letters estimates the costs of the rules, including paperwork and destruction of patent asset value, at billions of dollars (docket No. 240-4, SA004-35). This notice and comment letter raises a number of issues that were simply ignored in the Final Rule notice, either by dead silence or by affirmatively stating that the issue would not be considered. Examples include:

- the primary cause of the PTO's backlog is the high rate of procedural failure by examiners (SA005-07) and the refusal by PTO management to exercise management and direction over procedural matters (SA011-12).
- the admonition of the PTO's reviewing courts that the PTO may not compromise inventors' statutory rights for mere "administrative convenience" (SA010, citing *In re Weber*, 580 F.2d 455, 458 (CCPA 1978)).
- the adverse effect that the rules will have on the PTO's revenue-per-cost ratio and how the rules will financially cripple the PTO long term (SA010).
- the PTO's skewed productivity and compensation metrics induce and reward inefficiency by examiners (SA020-21).
- the selective burden imposed on the most economically-important and technologically-deserving patent applications (SA023-24).
- the adverse and statutorily-impermissible effect on patent term (SA025).
- a number of alternative approaches to the PTO's identified problems, that are more likely to succeed at lower total cost (SA026-35).

The PTO does not contest that these issues were ignored in the Final Rule notice, either by silence or affirmative refusal to reply. The PTO was challenged to show where it fully and fairly addressed these issues in the Final Rule notice (Polestar Br. at 14-15), and the PTO has been unable to do so.

On January 22, 2008, the very day on which parties were to file their last briefs that could raise new issues, the PTO again updated the record, this time with the long-sought November 2005 Initial Regulatory Flexibility Act Certification of No Substantial Impact ("Initial RegFlex Certification"). In this document, the PTO exempted itself from doing a Regulatory Flexibility analysis, stating as follows (docket no. 248-4, SA102):

> The changes proposed in this notice will not affect a substantial number of small entities. [Based on the PTO's application tracking database,] only 1.2 percent of all nonprovisional applications and 1.3 percent of the small entity non provisional applications contain or were amended to contain more than ten independent claims. … Therefore, the Office estimates that the proposed examination support document requirement would not impact a substantial number of small entities.

Note that the 2005 version of the rule triggered the ESD requirement based on the number of total claims, not the number of independent claims mentioned in the Initial RegFlex Certification. Proposed 37 C.F.R. § 1.75(b)(1)(ii), 71 Fed. Reg. 67, col. 3 (Jan. 3, 2006). The PTO felt it important to explain to this Court the crucial difference between "independent claims" and "total claims" as trigger points for various rules (PTO's Opposition to GSK, docket no. 247, at page 43), but did not feel it was important to explain this distinction to the Small Business Administration Office of Advocacy (SBA). Nor does the Initial RegFlex Certification inform SBA that about 79% of applications have more than 10 total claims (Exhibit 30, A04550), and would therefore have been affected by the ESD rule.

One could easily infer that the PTO deliberately took advantage of the SBA's relative lack of familiarity with patent jargon to mislead SBA into believing that only 1.3% of small entities would be affected.[1]

The PTO "deliberately or negligently omitted" adverse documents for months (Category (d)). Because of this pattern, the Court has additional flexibility to consider documents outside the PTO's administrative record.

### B. The Absence of OMB Communications Demonstrates the PTO's "Administrative Record" is Incomplete

The "administrative record" provided to this Court by the PTO includes only the January 2006 proposed rule and the August 2007 final rule. The evidence produced strongly suggests that

[1] The PTO cannot introduce a *post hoc* rationalization for its RegFlex certification and failure to conduct a RegFlex analysis. If the Court finds that the representation to SBA in the Initial RegFlex certification itself based on "independent claims" was not helpful in permitting the SBA to evaluate a rule triggered by "total claims," the PTO cannot offer a new justification here, and must start the rulemaking process over. *American Federation of Labor v. Chertoff*, 2007 WL 2972952 at *12 (N.D.Cal.). Polestar also notes that a "voluntary" rule may still require a RegFlex analysis if the "voluntary" rule has "the practical equivalent of a rule that obliges an [regulated party] to comply or to suffer the consequences." *American Federation of Labor*, 2007 WL 2972952 at *13.

at least one intermediate draft, and a number of inter-agency communications that are required to appear in the record, are still missing in action:

- The OMB web site reports that the version that left OMB on July 9, 2007 was "changed" from the version that PTO submitted on April 10, 2007 (Exhibit 29). For the text of the rules to have been "changed" during OMB review, it must have been different when PTO submitted it to OMB.
- Document A08505 states that a "latest version" of the rules contained "new language" as of June 29, 2007, and the title of the email attachment suggests that the revision was made on June 28, 2007.

The PTO has withheld from the administrative record the version that it submitted to OMB, and perhaps other versions as well.

To ensure public accountability, Executive Order 12,866[2] § 6(a)(4)(E)(ii) requires the PTO to document and disclose to the public the changes it makes as a result of OMB review. Public disclosure is essential to ensure that the rulemaking process remains fair, and that the final text of a rule is not the result of secret deals with interested parties. Exhibit 29 shows that there were such changes, but the PTO has never identified them, let alone produced the part of the record reflecting that change. See, *e.g.*, discussion of Exhibit 9, at § VI, page 16, of this brief. Therefore, it is reasonable to infer that the final rule is the product of a secret deal that the PTO is hiding from the Court.

The Court may weigh this pattern of omission as a symptom of "deliberate or negligent omissions" from the record[3]. Because the PTO has now twice admitted that a number of documents were "deliberately or negligently omitted" from the record (Category (d)) and the record makes reasonably clear that more are likely still missing, the Court has flexibility to consider whatever would shine light into the omissions.

---

[2] http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

[3] Executive Orders that do not create private rights of action may nonetheless be factored into the Court's evaluation of whether the PTO acted arbitrarily and capriciously under the APA. *See Coliseum Square Ass'n v. Jackson*, 465 F.3d 215, 232-33 (5th Cir. 2005).

### C. Several of the "Town Hall" Presentations, Coincidentally Those In Which Recorded Oral Remarks Include Adverse Admissions by High PTO Officials, Are Omitted From the Record

The PTO's Tafas Opposition (docket no. 247), at 15 n. 16 suggests that no one should be permitted to rely on recorded public speeches in which high PTO officials stated official PTO policy and rationale relating to the rules. While not formally part of the motion to strike, the issues are similar. The PTO's position is internally inconsistent, and legally groundless.

The PTO's "administrative record" includes slides from 18 "Town Hall" presentations (A00043-590). At least two more such presentations are omitted: a talk given by John Whealan, then the PTO's Deputy General Counsel and Solicitor, on February 17, 2006 at Duke University Law School, and a talk given by John Doll, Commissioner of Patents, in New York, on April 4, 2006. These are the two public presentations where oral remarks were recorded. Mr. Whealan, in a moment of "open mike" candor, explained the PTO's substantive motivations for the rules, and that "no one" could comply with them because of the risk of "inequitable conduct" (Polestar Ex. 9, at P000284-85, P000313-14, P000335-36). Commissioner Doll – the PTO's chief management officer – stated that he had not identified the cause of any problem the PTO was attempting to solve (Polestar Ex. 9 at P000263).

The PTO was informed of the existence of these presentations, but was also "tipped off" to these adverse admissions when Exhibit 9 was given to OMB and to Ms. McDowell. Now, curiously, Ms. McDowell has chosen to omit these two talks from the PTO's record. (*Contrast* Polestar Ex. 9 at P000209 with PTO's record certifications, dockets no. 240-2 and 248-2.)

Now that Tafas and Polestar seek to rely on the PTO's own statements, the PTO seeks to preclude such reliance. As discussed in Tafas' and Polestar's briefs, the recordings of Mr. Whealan's and Mr. Doll's remarks raise questions of the "procedural validity" of the PTO's rulemaking process (Category (a)), and show that the PTO "failed to consider relevant factors" (Category (c)). These presentations appear to have been "deliberately or negligently omitted" in view of the inclusion of many similar documents (Category (d)). They present the "content of conversations" (Category (f)) and may be used to impeach the PTO's representations that the rules are not substantive (Category (h)). Both Mr. Whealan's and Mr. Doll's remarks are publicly available[4], and the Court may take judicial notice of them (Category (g)). For these reasons, the Whealan and Doll remarks are part of the "whole" administrative record.

### IV. Polestar's Exhibits 3, 6 and 17 Are Properly Considered by the Court To Show That the PTO Did Not Timely Make Materials Available for Notice and Comment

The PTO's attempt to exclude Exhibits 3 as being outside the record reflects some confusion by the PTO, and perhaps unfamiliarity with modern Internet technology. Exhibit 3 (P000003-07)[5] is a list of all documents that constituted the "administrative record" as the PTO made it available to the public as of May 11, 2006 (the notice and comment period closed on May 3, 2006). This page was automatically captured from the PTO's own web site, where the PTO was required to disclose this information.[6] Once the origin of this document is explained, the PTO should have no further basis for characterizing this document as "outside the record," when the PTO itself represented as the entirety of the record (plus the notice and comment letters) as of the close of notice and comment.

Similarly, Exhibit 6 (P000087-203) is a Freedom of Information Act (FOIA) request and reply of October 2006. The request was simple: "the files for [the] three rulemaking proceedings," the Continuations and Claims rules that are the subject of this litigation, and the IDS rule that remains pending. In the reply, the PTO's Office of General Counsel stated that the entire file for the three rules was "114 pages" of summary data, in PowerPoint graphs and high-level summary tables. In view of the PTO's own statements that Exhibit 6 was the entire record at the time, the PTO's concern that this is somehow "outside the record" is not well founded.

---

[4] Mr. Whealan's remarks are at http://realserver.law.duke.edu/ramgen/spring06/students/02172006a.rm, at time mark 49:50 to 1:05:10 and http://realserver.law.duke.edu/ramgen/spring06/students/02172006a.rm, *passim*. Mr. Doll's remarks are available from the American Intellectual Property Law Association as a CD of a day long conference in New York, April 2006, for about $100, or on request from Polestar's/Norseman's counsel.

[5] Exhibit 3 is taken from the Internet Archive's "Wayback Machine" at www.archive.org. The Internet Archive is a non-profit organization that scans the internet constantly, and maintains roughly weekly snapshots of several million web pages on its servers. Exhibit 3 is a page, "Proposed Rule Changes to Focus the Patent Process in the 21st Century" that listed the materials that the PTO made available to the public during the rulemaking process. The version of this page is as of May 11, 2006, about a week past the end of the notice and comment period, retrieved from http://web.archive.org/web/20060427235644/www.uspto.gov/web/offices/pac/dapp/opla/presentation/focuspp.html.

[6] The E-Government Act of 2002, Pub.L. 107-347, Dec. 17, 2002, 116 Stat. 2899, § 206(d)(1) and (2), *codified in notes to* 44 U.S.C. § 3501, requires that rulemaking materials be made available by Internet access, to the extent practicable.

Exhibit 17 is a news report[7] of a public speech of October 19, 2006 (another speech omitted from those presented in the "administrative record"). In Exhibit 17, Commissioner Doll offered to make the PTO's model available to hand-picked parties on an *ex parte* basis: "The PTO invited the AIPLA board to take a look at the agency's models and the assumptions they are based upon." Unless the PTO's position is that it has the sole authority to determine what goes in the record and what does not – which it does not, *Bar MK Ranches v Yeutter*, 994 F.2d 735, 739 (10th Cir. 1993) – then this public presentation on the rules by a senior PTO official should stand on the same footing as the 18 presentations that the PTO chose to include. The mere fact that the PTO was tipped off that this presentation might contain adverse information (see Polestar Ex. 9.2, docket no. 174-3, at P000271 n. 46) should not be a basis on which to exclude it.

Exhibits 3, 6 and 17 are properly before the court to show that the PTO "deliberately or negligently" failed to include information in the record at the time required (Category (d)).

Notably, the PTO has never contested any of the showings of the Polestar brief relating to Exhibits 3, 6 or 17. The PTO does not contest that it told the public that the rulemaking record was empty as of the close of Notice and Comment period (Polestar Br. at 2). The PTO does not dispute the accuracy of Exhibits 3 and 6, that they constituted the entire record that the PTO made available to the public during notice and comment, and for months thereafter. The PTO has never contested that it had a great deal of material information available during notice and

[7] *PTO Commissioner Doll Says That Limiting Continuations Will Improve Patent Landscape*, 72 Patent Trademark and Copyright Journal (BNA) 704 (Oct 27, 2006), reporting a talk given by Commissioner Doll at the annual meeting of the American Intellectual Property Law Association.

comment, and withheld from the public everything of any analytical utility. The PTO has never contested that the non-transparent summary information that it disclosed in Exhibits 3 and 6 was insufficient to meet its obligations under the Administrative Procedure Act. The PTO has never contested that it breached its own information quality regulations[8] for its own conduct by disseminating information to the public that lacked "objectivity," "utility," and "transparency," while withholding information that it possessed that would have met these criteria.

Instead, the PTO now insists that neither the public nor this Court should ever have any opportunity to comment on or vet the PTO's data or models. The PTO is trying to have things both ways. The PTO is wrong: the record is only closed when the agency's rulemaking disclosure is procedurally adequate. *Esch*, 876 F.2d at 991 (admitting supplementation of the record when "procedural validity of [agency] action [is] in serious question.")

The PTO does not contest that Exhibits 3, 6 and 17 show that the PTO played "hide the peanut" with the public, and thereby breached the APA, by keeping all useful data to itself, instead of providing a fair and open notice and comment period. *Hanover Potato Prods. v Shalala*, 989 F.2d 123, 130-31, 130 n.9 (3rd Cir. 1993); *Connecticut Light & Power Co. v. Nuclear Regulatory Commission*, 673 F.2d 525, 530 (D.C. Cir. 1982); *Washington Trollers Ass'n v. Kreps*, 645 F.2d 684 (9th Cir. 1981) (high level summary, without underlying model or data to "enable an interested or affected party to comment intelligently," is arbitrary and capricious).

Exhibits 3, 6 and 17 place the "procedural validity" of the rules in question (Category (a)). Exhibit 17 is a record of the "content of a conversation" (Category (f)). Exhibits 3 and 17 are published documents of which the Court may take judicial notice (Category (g)). For these reasons, these Exhibits should not be stricken.

[8] PTO, "Information Quality Guidelines," at http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html; see also Polestar Ex.

## V. Polestar's Exhibit 5, 7, 8, 13 and 17 Are Properly Considered by the Court Under Several *Esch* and *State Farm* Categories Relating to Failure To Disclose

### A. Exhibits 5 and 17, a FOIA Reply and Public Speech Admitting That There Are No Disclosed Methodology, Data or Assumptions as Foundation for the PTO's Computer Tables

Polestar Exhibit 5 (P000008-086) is a Freedom of Information Act request that asked for documents that were required to be in the administrative record during notice and comment:[9]

> Request 1. Attached is one of the slides from the PTO's recent Townhall presentations [now A00096] on the proposed rule changes, showing projected pendency.
>
> Kindly provide all documents that demonstrate (a) any data and assumptions on which the projections of this slide are based, and
>
> (b) the methodology or analysis used to generate the slide's projections from the data and assumptions.
>
> In particular, please provide documents that support the projection that pendency will increase as projected for 2008-2011 (the red projection), and the projection that pendency will fall sharply if all rule proposals are enacted (the two purple declining projections).

The graph at page A00096 is the PTO's graph showing projections for pendency reduction, and is the closest thing to "data" provided in Exhibits 3 or 6, or anything else disclosed by the PTO during the notice and comment period.

The PTO replied to this FOIA request on June 5, 2006, somewhat after close of notice and comment. In Exhibit 5, the PTO represented to the public that the total support for this graph was:

---

[9] An agency "has undoubted power to use predictive models, … but it must explain the assumptions and methodology used in preparing the model…." *Appalachian Power Co. v. EPA*, 251 F.3d 1026, 1035 (D.C. Cir. 2001). "In order to allow for useful criticism, it is especially important for the agency to identify and make available technical studies and data that it has employed in reaching the decisions to propose particular rules. To allow an agency to play hunt the peanut with technical information, hiding or disguising the information that it employs, is to condone a practice in which the agency treats what should be a genuine interchange as mere bureaucratic sport. An agency commits serious procedural error when it fails to reveal portions of the technical basis for a proposed rule in time to allow for meaningful commentary." *Connecticut Light & Power Co. v. Nuclear Regulatory Commission*, 673 F.2d 525, 530 (D.C. Cir. 1982).

- **one page** of numerical data relating to numbers of applications filed, but no numbers relating to examination, in-process rates or completions, no information relating to the number of applications in the backlog, no numbers relating to time, and no other numbers necessary to reconstruct this slide. Based on this FOIA reply, the PTO based its entire rulemaking on sheer speculation, with no factual basis.
- 73 pages of President's Budget documents. These 73 pages include only executive-summary level numbers, with no perceptible relationship to or support for this slide or the projections thereon.

Exhibit 5 shows that the PTO either had no software model, or chose to withhold it, either had no "methodology or analysis" underlying any software used to generate the slide or chose to withhold it, either had no articulation of its assumptions or chose to withhold it, and either had no underlying data, or chose to withhold them. The PTO can choose which rope it wishes to hang by – either failure to produce a complete record, *Hanover Potato*, 989 F.2d at 130-31, or arbitrary and capricious absence of substantial evidence, *Data Processing*, 745 F.2d at 684, and failure to support its computer model. *Appalachian Power*, 251 F.3d at 1035. The result is the same.

The PTO does not contest that Exhibit 5 demonstrates that the PTO failed to provide anything more than undocumented output of its computer models, and has failed to disclose the underlying "assumptions and methodology" (for example, either the source code or a narrative analysis similar to Polestar's Exhibit 24), the data that was input to the model, or any other "complete analytic defense" of the model (Polestar Br. at 7-9). The PTO also does not contest the consequence of that non-disclosure, that all rules based on those inscrutable models are "arbitrary and capricious." *Appalachian Power*, 251 F.3d at 1035. For all the record reveals or the PTO argues, the Continuations, RCE, 5/25/ESD, and Rule 78(f) "patentably distinct" rules are the product of "garbage in, garbage out" computation.

Exhibit 5 shows that "agency action is not adequately explained in the record before the court" and is merely "junk science" (Category (b)). Else, Exhibit 5 shows that the PTO relied on information that it has so far "deliberately or negligently omitted" from the record (Category (d)).

Exhibit 17 is further discussed in § IV. Exhibit 17 reports a conversation in which the PTO impeached the contents of its own record by admitting that it had information about its computer models that it failed to disclose. Exhibit 17 may therefore be considered under Categories (b), (d), (f) and (h).

**B. Polestar's Exhibits 7 and 8 are Properly Considered by the Court**

Exhibit 7 is the PTO's cover letter to a FOIA reply of June 12, 2007. In this letter, the PTO admits it had "no documents" relating to a number of categories, the numbered paragraphs as listed below. The PTO's affirmative statement that "no documents" exist as of June 12, 2007 establish that Exhibit 7 must be admitted to the record.

The PTO stated that it had "no records" relating to (Polestar Ex. 7):

> (1) …any factual investigation or analysis of underlying causes for 'rework' applications used in developing the proposed 'Continuations,' 'Examination of Claims,' or 'IDS' rules (RIN 0651-AB93, -AB94, and -AB95, 71 Fed. Reg. 48, 61 and 38808 hereinafter the 'Proposed Rules';

The PTO's admission shows that the PTO "failed to consider an important aspect of the problem," the cause of its backlog, and Exhibit 7 may be considered under Category (c). The PTO's admission also shows that the PTO had no underlying basis for the projections it provided in the "administrative record," and whatever analysis it has is "junk science," so Exhibit 7 may be considered under Category (b).

The PTO stated that it had "no records" relating to (Polestar Ex. 7):

> (5) … any analysis and estimate of costs that will be saved by the PTO if the proposed rules are adopted;

Exhibit 7 shows that the PTO "failed to consider an important aspect of the problem," whether the rules would in fact save the PTO anything (Category (c)).

The PTO stated that it had "no records" relating to (Polestar Ex. 7):

> (17) Provide documents sufficient to show any mechanisms by which the Office ensures that examiners, during examination under 35 U.S.C. §§ 131 and 132, do not act outside the scope of authorization of [granted by the PTO's written formal rules and informal but binding guidance document, the Manual of Patent Examining Procedure];

> (18) Provide documents sufficient to show any affect of reversals by the Board of Appeals, Appeal Conference, Pre-Appeal review, or any other review, formal or informal, on examiner promotion, retention, compensation or award eligibility;

Exhibit 7 shows that the PTO has no identifiable standards for examiner conduct, supporting the observation in many of the notice and comment letters that the PTO's backlog problem is caused primarily by unfocused examination under unsupervised procedure. Exhibit 7 shows the agency failed to "consider relevant factors" (Category (c)), and that agency action is "not adequately explained" (Category (b)).

The PTO stated that it had "no records" relating to (Polestar Ex. 7):

> (31) … any study, analysis, conclusion or assertion showing the effect of the proposed continuation rules on appeals to the Board of Patent Appeals and Interferences, including effects on the number, typical complexity or pendency of such appeals;
>
> (32) … any study, analysis, conclusion or assertion showing the effect of the proposed continuation rules on appeals from the U.S. Patent and Trademark Office to a court, including effects on the number, typical complexity or pendency of such appeals;
>
> (33) … any study, analysis, conclusion or assertion showing the effect of the proposed continuation rules on petitions submitted to the U.S. Patent and Trademark Office, including effects on the number, typical complexity or pendency of such petitions.

Exhibit 7 shows that the PTO did not consider the effect on total backlog or Office efficiency end-to-end, or view efficiency of the Office as a whole; instead, the PTO pretended that a valid analysis could be performed on one piece in isolation. The PTO will not dispute that appeals and petitions must be considered by more highly-trained, and therefore harder-to-come-by people. By forcing more applications through this narrow bottleneck, the rules could well cause backlog to increase – a proposition the PTO cannot now rebut, because it failed to address this issue on the record. Exhibit 7 shows that the PTO failed to "consider relevant factors" (Category (c)).

Exhibit 8 is the CD of documents that were produced under the cover letter of Exhibit 7. It should also be included in the record, in order to permit fair consideration of Exhibit 7.

### C. Polestar's Exhibit 13 is Properly Considered by the Court on the Narrow Issue of Convenience and Cost to the PTO of Providing the Information Requested in the FOIA Requests

Exhibit 13 is a FOIA reply. It is not submitted for the limited purpose of showing that the PTO's cost of providing the information necessary to support the "administrative record" and to answer many of the questions asked in the FOIA letters discussed above would have been minimal. At least it would have been minimal had the information existed at the proper time, without being 'ginned up for *ex post* rationalization for this litigation. Exhibit 13 confirms that most of the information that would have had to have been collected by the PTO for an adequate rulemaking process did not exist or were "deliberately or negligently omitted" (Categories (b) and (d)).

## VI. Exhibit 9 May Be Considered Under the "Procedural Validity of the Agency's Decision Under Scrutiny," "Agency Considered Evidence that it Failed to Include in the Record," or "Agency May Have Deliberately or Negligently Omitted Documents that May have been Adverse to its Decision"

Exhibit 9 is a set of materials distributed at a presentation given at OMB and attended by senior PTO officials. Yet the PTO argues that Polestar's Exhibit 9 should be stricken because the PTO did not "directly or indirectly consider" it. PTO's Memo in Support of Motion to Strike (docket no. 250), at 6 n. 6. The PTO is wrong. It did receive and consider Exhibit 9 and, thus, it should have been included in the administrative record. Because the PTO excluded Exhibit 9 from the record, the Court should consider it as expanding upon the record.

The PTO's attempt to characterize Exhibit 9 as "OMB documents," *id*., is incorrect. The PTO received several copies of Exhibit 9 at an OMB meeting. In particular, both Deputy Commissioner John Love and Jennifer McDowell from the PTO's Office of General Counsel were in attendance at the OMB meeting at which copies of Exhibit 9 were distributed to the attendees, and an oral presentation based on it was given (Polestar Ex. 9, docket 174-2, P000209).[10] Both Mr. Love and Ms. McDowell received copies of a binder including Exhibit 9, and sat through the presentation. No copies of the binder were left in the room at the close of the meeting. While the PTO makes the hyper-technical argument that it did not "directly or indirectly consider" Exhibit 9, the facts demonstrate otherwise.[11,12]

Indeed, the PTO itself acknowledges that documents distributed at OMB meetings attended by high-level PTO officials should be included in the record. *See* PTO's Reply, docket no. 261, at 24-25 n.33 (finding that an OMB document "belonged in the record" because "Under Secretary Dudas … personally attended that one OMB meeting to represent the USPTO"). Thus, Exhibit 9 should not be stricken.

By arguing that it did not consider a document that explicitly identified relevant factors that the Office was required to consider but admits not to have done, the PTO "implicitly conced[es] the agency's original failure to consider relevant factors, [and thereby] concedes the merits." *Advanced Systems Dev't Inc. v. U.S.*, 72 Fed.Cl. 25, 34 (Fed. Cl. 2006). The PTO does not contest the showing in Polestar's brief that Exhibit 9 raised a number of issues to which the Final Rule notice is simply silent.

Exhibit 9 shows that the "procedural validity" of the rules is suspect (Category (a)), that "agency action is not adequately explained" (Category (b)), and that the agency failed to consider important factors (Category (c)). Exhibit 9 documents the "content of conversations" (Category (f)), and impeaches several of the PTO's assertions in the Notice of Proposed Rulemaking (Category (h)).

---

[10] The presence of Mr. Love and Ms. McDowell is a matter of public record. See http://www.whitehouse.gov/omb/oira/0651/meetings/619.html.

[11] All materials submitted to OMB are forwarded to the agency. Executive Order 12,866 § 6(b)(4)(B)(ii).

[12] *See also* § III.B at page 6, showing that the rules were changed as a result of the OMB review. This suggests that Exhibit 9 was likely considered at least "indirectly;" however, because the PTO arbitrarily and capriciously violated E.O. 12,866 by failing to explain how the rules were changed, the relationship to this particular Exhibit as of today is only inferential.

**VII. Exhibits 2, 12, 21 and 26 are Properly Considered by the Court Because they Are "Evidence Arising After the Agency Action [that] Shows Whether The Decision Was Correct or Not" and to Impeach the PTO's Record**

Polestar's Exhibit 21 (docket no. 178-2) is a declaration of Dr. Richard Belzer, a Harvard-educated economist with 20 years' experience in regulatory analysis, including 10 years as a professional economist in OMB's Office of Information and Regulatory Affairs (OIRA).

At ¶¶ 40, 44 and 47-48, Dr. Belzer relates an October 18, 2007 conversation with Robert Bahr in a meeting held pursuant to the third party meeting provisions in Executive Order 12,866, at which the Deputy Administrator of OIRA was the OIRA Administrator's designated representative and Mr. Bahr was the PTO's designated representative. Dr. Belzer notes that agencies are responsible for indicating to OMB their initial estimate of the costs, benefits, and other effects of rules they transmit to OMB as "not significant," "significant," or "economically significant." This designation, in turn, establishes the default level of scrutiny for review within OMB. When it published the proposed Information Disclosure Statement rule in the Federal Register in July 2006, the PTO publicly deemed it as "nonsignificant." At this meeting, Mr. Bahr stated that this designation was a typographical error. Dr. Belzer asked if the PTO had published a correction in the Federal Register at any time during the next 15 months, and Mr. Bahr acknowledged that the PTO had not. Dr. Belzer describes the multiple people that had to sign off on this item, and concludes that misdesignation was "highly unlikely" to have been inadvertent. While this meeting concerned a related PTO rule, not the rules at issue in this litigation, Dr. Belzer's anecdote confirms the PTO's pattern of being less than forthcoming with the rest of the executive branch, and constant evasion of rulemaking oversight and procedure.

At ¶ 19, Dr. Belzer's declaration notes one of the common games agencies play to evade OMB review: splitting a single rule into pieces, to evade the $100 million limit for "economically significant" rules. The PTO played that game by splitting the Continuations rule from the Claims rule, so that it could avoid accounting for the "negative synergies" between them, and by providing OMB with cost estimates that the PTO later acknowledged to be far too low (Exhibit 26). By doing so, the PTO hid the rulemaking from executive branch regulatory oversight, including the OMB's requirement to prepare a Regulatory Impact Analysis, and the deeper scrutiny that OMB gives "economically significant" rules.[13]

Dr. Belzer opines as follows (italic in original, underline added):

> 52. … I have a *very high level of confidence approaching certainty* that the following inferences … are true: (a) PTO knew or should have known that the regulatory actions listed in ¶ 31 were economically significant under EO 12,866 [rather than "significant" under the box that PTO checked]; (b) PTO knew or should have known that economically significant regulatory actions must be accompanied by a Regulatory Impact Analysis; … (f) PTO knew or should have known that its certifications of no significant impact on substantial numbers of small entities were not analytically defensible; and (g) PTO withheld from OMB information crucial for estimating, within even an order of magnitude, the likely costs of the regulatory actions…
>
> 53. … I have a *very high level of confidence* that the following inferences … are true: … (b) PTO knew or should have known that if the Office complied with the reproducibility requirement in [the PTO's own Information Quality Guidelines], competent third parties were almost certain to try to show, and were more likely than not to succeed in showing, that the Office's estimates of programmatic effects were inaccurate and biased, and thus not substantively objective.
>
> 54. … I have a *very high level of confidence* that the following inferences with respect to impacts on small entities are true: (a) PTO knew or should have known that any certification that the [rules] would not have a significant effect on a substantial number of small entities would be analytically invalid and unreliable; … and (c) PTO knew or should have known that its characterization of impacts on small entities … were nonsensical…
>
> 61. The most crucial elements of PTO's Reg Flex Analysis rest solely on the "beliefs" of PTO staff. … it is significant that [the contractor who prepared the PTO's Reg Flex certification analysis] declined to take responsibility for, or attempt to analytically support, PTO's "belief."

During the rulemaking proceeding, the PTO made available practically no information about its estimates of private sector costs. The first time in the entire rulemaking saga that the PTO made a proper disclosure of its cost estimates was about a week after the publication of the rules, when it made public its Final Regulatory Flexibility Act Certification of No Significant Impact ("Final RegFlex Certification") (Polestar Ex. 11, A08270-306). Serendipitously, several people also found an Information Collection Request submitted to OMB by the PTO as required under the Paperwork Reduction Act (44 U.S.C. § 23501 *et seq*, "PRA") on September 26, 2007 (Exhibit 26). Despite the fact that every item in this information collection is required by one or more regulations issued by the PTO, and a large fraction of its burdens is attributable to the final Continuations and Claims Rules, the PTO designated it as "Not associated with rulemaking."[14] This designation violated the governing regulation at 5 C.F.R. § 1320.12. Whether deliberate or negligent, this misdesignation hid the PTO's PRA submissions from those who were interested in participating in the rulemaking proceeding. Exhibit 26 is a public document, of which the Court may take judicial notice (Category (g)). Exhibit 26 also impeaches the PTO's earlier cost estimates to OMB, by conceding burdens exceeding $100 million (Category (h)).

---

[13] Regulatory Impact Analysis is described at the OMB's web site, http://www.whitehouse.gov/omb/inforeg/regpol.html. The principles for conducting the RIA are set forth in OMB Circular A-4, http://www.whitehouse.gov/omb/circulars/a004/a-4.pdf.

Note that August and September 2007 were the first time in the entire rulemaking process that the PTO disclosed enough information to permit any meaningful public comment on the rules' likely impact. Once the PTO surfaced its "submarine" proceeding, several parties promptly filed comments relating to large errors in the PTO's paperwork burden estimates. Exhibit 12 is one of these, submitted by Dr. Ron Katznelson (an *amicus* in this suit). In Exhibit 12, Dr. Katznelson notes a number of mutually-inconsistent assumptions that the PTO used in preparing its paperwork burden estimates, and other analytical flaws.

The Polestar brief, at 7 n. 7, notes that the PTO failed its statutory obligation to make its rulemaking docket available by Internet, and the PTO does not contest that failure. Exhibit 2 is the page from the PTO's web site[15] that lists the PTO's Federal Register notices. This is the page that would be the most-likely place that the PTO would have used to notify the public of its Paperwork Reduction Act submissions, had the PTO complied with the requirement of the e-Government Act to notify the public of this phase of the rulemaking. Note that Exhibit 2 lists no Paperwork Reduction Act actions by PTO.

---

[14] http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200707-0651-005#section4_anchor. The PTO also misdesignated several previous Paperwork Reduction Act submissions to OMB as "Not associated with rulemaking," http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200706-0651-004#section4_anchor, http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200703-0651-001#section4_anchor, which deterred the public from participating in these paperwork reviews as well.

An inference that the PTO deliberately and repeatedly misdesignated, misfiled, mischaracterized, and misestimated to avoid public scrutiny and executive branch oversight is well supported by the evidence.

Exhibit 21, Dr. Belzer's Declaration, shows that the "procedural validity" of the rules is suspect (Category (a)), that "agency action is not adequately explained" (Category (b)), and that the agency "deliberately or negligently omitted documents" (Category (d)). It is after-arising evidence promptly generated to show that the agency's decision was incorrect and unsupported by substantial evidence (Category (e)). Exhibit 21 documents the "content of conversations" (Category (f)), and impeaches several of the PTO's assertions (Category (h)).

Exhibit 12, Dr. Katznelson's comments on the PTO's paperwork burden estimates, shows that "agency action is not adequately explained" (Category (b)). It is after-arising evidence prepared as quickly as possible after the PTO finally gave the public proper notice of its cost estimates, showing that the agency's decision was incorrect and unsupported by substantial evidence (Category (e)). In addition, Exhibit 12 is a published document[16] of which the Court may take judicial notice (Category (g)).

Exhibit 2, the PTO's list of Federal Register notices, shows that the "procedural validity" of the rules is suspect because of failure to inform the public of opportunities to comment

---

[15] "Patent Related Notices" page from uspto.gov as of Jan 25, 2006, retrieved from http://web.archive.org/web/20060204053844/www.uspto.gov/web/offices/pac/dapp/ogsheet.html

[16] http://www.reginfo.gov/public/do/DownloadDocument?documentID=51962&version=1

(Category (a)). In addition, Exhibit 2 is a published document[15] of which the Court may take judicial notice (Category (g)).

## VIII. Exhibits 22, 23, 24, 25, 27 and 28 are Properly Considered by the Court on the Question of Whether the PTO Considered Relevant Factors

Exhibit 22 is a set of statistics obtained from the PTO's web site and from the PTO by FOIA request, and a summary spreadsheet. The spreadsheet shows that in most recent years, examiners were affirmed on about 20% of issues on appeal. That is, for at least **70% of issues**[17] appealed, either the examiner himself must acknowledge error, the examiner is unable to convince two other examiners of the correctness of his position, or the Board itself reverses or vacates for procedural failures.[18] These statistics show that a primary cause of the PTO's backlog – that is, an "important factor of the problem" under *State Farm* and a "relevant factor" under *Esch v. Yeutter* – is examiner error and the need for applicants to go back to examiners repeatedly to get these errors corrected, not any lack of diligence by applicants. These statistics were provided to the PTO, at least in summary form, in the notice and comment letters (docket no. 240-4, SA006).

Exhibit 25 is an excerpt from the PTO's brief in *Boundy v. U.S. Patent and Trademark Office*, Civil Action 03-CV-557-A (E.D.Va. Apr. 23 2004), stating that the PTO's policy, at least at the time, was to dismiss all requests for supervisory oversight of examiners during the examination phase. In 2004, the PTO's position to this Court was that so long as applicants had recourse to the Board of Appeals, there was no need for any supervisory oversight during examination, and no need for the PTO to ensure that its examining personnel complied with the procedural guidance of 37 C.F.R. § 1.104 or the Manual of Patent Examining Procedure. As the

---

[17] The PTO's statistics are too coarse to permit characterization of about 10% of outcomes.

[18] These numbers are conservative for time periods since July 2005, because the PTO instituted another layer of appeals review, which results in further reversals of the examiner, but no more affirmances.

PTO put it in its brief, examiners have "independent decision making authority" on the law and procedure to be applied, and "freedom to independently decide" which written PTO guidelines to follow and which to ignore, free from "administrative micro-management" even when that management was set forth in a written procedural manual provided to the public.

The PTO does not contest that its current stated policy is the policy reflected in Exhibit 25, this is, to provide no supervisory oversight of the procedural aspects of the examination of claims. 72 Fed. Reg. at 46752 (contorting this court's decision in *Boundy*, 73 USPQ2d 1468, 1472 (E.D. Va. 2004) to hold that the PTO need not follow its own procedural rules). The PTO does not contest that this policy creates "havoc" that is a major contributor to the PTO's backlog and inefficiency (Polestar Br. 18-19). The PTO does not contest that this violation shows that the PTO's procedures are "suspicious," arbitrary and capricious.

Exhibit 27 includes excerpts from several patent application files showing the years of delay and numerous continuations that pile up because examiners are not supervised by the PTO. Examiners are permitted, even encouraged by the current production metrics, to reject applications for reasons having nothing to do with any written standards (Exhibit 25). Instead, the PTO leaves examiners free to make up the law *ad hoc*. Exhibit 27 shows that examiners restart prosecution after being reversed – in some cases, more than once – by the Board of Appeals.

Exhibit 28 is a summary of several telephone conversations with examiners. In one conversation, the examiner conceded that he was making up new rules of patentability on the fly. In January 2007, a different examiner stated that his management had instructed him to deliberately stall allowance of all applications. Coincidentally, John Love had been the director of this examiner's group until he was promoted to the role of Deputy Commissioner for Patent Examination Policy about two weeks before this conversation. The PTO noted that Mr. Love's groups, 3620 and 3690, had the longest backlogs in the Office (72 Fed.Reg. 46756, col. 1). The Court may wish to inquire into any causal linkage between Mr. Love's supervisory instructions to his group in 2006, at least as examiners perceived them, and the PTO's backlog.

Several notice and comment letters raised the issue that the PTO's backlog was largely the product of examiner error, and that the PTO would be acting at least unfairly by imposing burdens on the public before setting its own procedural house in order. The notice and comment letters also noted the incongruity of requiring applicants to exercise perfect foresight and diligence, when the PTO imposed no procedural accountability on examiners (*e.g.*, docket no. 240-4, SA010-11), even after the examiner had lost an appeal. The PTO's reply was to affirmatively dismiss the notion that examiner error was a contributing cause. 72 Fed.Reg. 46752. Instead, the PTO cited this Court's decision, *Boundy v. PTO*, 73 U.S.P.Q.2d 1468, 1472 (E.D. Va. 2004), at 72 Fed.Reg. 46752, grotesquely overstretching it to relieve the PTO from any obligation of supervisory oversight over the procedural aspects of examination.

Exhibit 23 is offered for the limited purpose of demonstrating that proper statistical analysis methods can be applied to the PTO's data, and might lead to supportable conclusions. It is not offered for the truth of its own assertions. This paper suggests that backlogs and numbers of continuations may be ***inversely correlated***. However, until the PTO shows that it considered this "relevant factor," it is premature to draw any factual conclusions, only the administrative procedure conclusion that the PTO failed its obligations.

Likewise, Exhibit 24 is a paper offered for the limited purpose of contrasting a proper computer model analysis with the silence of the PTO's administrative record. It is not offered for the truth of its own assertions. This paper suggests that a proper study might well identify an entirely different cause for the PTO's backlog, possibly errors made by examiners that require correction, not gaming the system by applicants. The PTO has not contested Polestar's showing that the record is devoid of any "analytic defense" of the PTO's computer model, and that the rules are therefore invalid under *Appalachian Power Co. v. EPA*, 251 F.3d 1026, 1035 (D.C. Cir. 2001). The record also shows that the PTO affirmatively refused to consider alternative relevant factors, such as examiner error. 72 Fed.Reg. 46752.

Polestar's Exhibits 22, 23, 24, 25, 27 and 28 go to the question of whether the PTO considered "an important aspect of the problem," *State Farm*, 463 U.S. at 43, and for the Court to "ascertain whether the agency considered all the relevant factors" (Category (c)). Exhibit 28 is a record of a telephone call prepared and submitted as required by 37 C.F.R. § 1.2, and may be considered a "conversation" (Category (f)).

## IX. Exhibit 1 is a Routine Authentication Affidavit

Exhibit 1 is a routine affidavit opining to the authenticity and provenance of other exhibits. It is admissible for that limited purpose.

## X. The Court Should Deny the PTO's Motion to Strike Portions of the Polestar Brief

The PTO requests striking some portions of the Polestar brief, but does not indicate which particular portions. The burden of coming forward with "substantial evidence" for most issues raised in Polestar's brief lies with the PTO. *Data Processing Service Organization*, 745 F.2d at 684 ("it is impossible to conceive of a 'nonarbitrary' factual judgment supported only by evidence that is not substantial in the APA sense"). Even if some of Polestar's evidence is stricken, the holes in the PTO's "administrative record" discussed in the Polestar brief, and the arbitrary and capricious lack of support for the rules, remain.[19]

[19] The PTO's Memorandum timidly mentions the "law of the case" doctrine, but identifies no specific ruling, and no application of that ruling to Polestar's exhibits, that might warrant exclusion. The *Tafas II* ruling, 2008 WL 112043, is careful to confine itself to the facts then before the Court, and notes that the evidence available in January was not "sufficiently strong" to warrant compelled discovery. Further, *Tafas II* only rules on whether the PTO can be compelled to produce further documents, not whether other parties may voluntarily submit documents that meet the various legal criteria for considering documents outside the agency's designated record. Indeed, *Tafas II* specifically cautions against permitting an agency to "skew the record," *Tafas II* at *3, and acknowledges that there are many reasons a court might look outside the record. *Tafas II* at *7-*8. There was no ruling of the Court that would reach Polestar's exhibits.

## XI. Conclusion

In view of the foregoing, *amicus curiae* Polestar and Norseman respectfully request that the Court deny the PTO's motion to strike.

Respectfully submitted,

/s/________________________
Craig J. Franco, Esquire
ODIN, FELDMAN & PITTLEMAN, P.C.
Virginia State Bar No. 41449
9302 Lee Highway, Suite 1100
Fairfax, VA 22031
Telephone: 703-218-2302
Facsimile: 703-218-2160
craig.franco@ofplaw.com
*Attorneys for Polestar Capital Associates, LLC and the Norseman Group, LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that on this 5th day of February 2008, I electronically filed in the foregoing with the Clerk of the Court using the CM/ECF system, which will then send notification of such filing (NEF) to all counsel of record.

/s/________________________
Craig J. Franco, Esquire
ODIN, FELDMAN & PITTLEMAN, P.C.
Virginia State Bar No. 41449
9302 Lee Highway, Suite 1100
Fairfax, VA 22031
Telephone: 703-218-2302
Facsimile: 703-218-2160
craig.franco@ofplaw.com
*Attorneys for Polestar Capital Associates, LLC and the Norseman Group, LLC*